

IOI Properties Group (IOIPG MK)

2QFY26: In Line; QOQ Growth Across All Segments

Highlights

- 2QFY26 results were within expectations, with core PATAMI reaching RM201m (+24% qoq; +110% yoy).
- The industrial segment will gain traction after its Banting land sale to BDC, which we estimate will contribute RM330m of earnings in FY27.
- Maintain BUY with a higher target price of RM3.80 (from RM3.50) as we narrow discount to RNAV and lift FY27/28 earnings by 42%/8%.

2QFY26 Results

Year to 30 Jun (RMm)	2QFY26 (RMm)	qoq % chg	yoy % chg	1HFY25 (RMm)	yoy % chg
Revenue	1,040.8	7.4	42.8	2,009.5	41.8
- PD	451.6	(13.0)	20.2	970.9	33.0
- PI	340.7	18.6	45.7	627.9	38.8
- L&H	242.4	52.5	109.2	401.4	77.1
- Others	6.0	85.0	66.6	9.2	20.5
EBIT	950.4	16.1	301.0	1,768.6	285.7
- PD	151.5	(2.2)	56.2	306.5	77.9
- PI	194.8	30.1	50.0	344.5	30.8
- L&H	27.8	547.9	1,482.2	32.1	315.2
- Others	9.2	42.6	10.3	15.7	3.2
PBT	846.8	12.4	461.5	1,600.4	462.5
PAT	708.8	6.7	647.9	1,373.2	737.6
Core PATAMI	200.6	23.6	109.9	362.9	113.1
Margin	%	ppt	ppt	%	ppt
Core PATAMI margin (%)	19.3	15.1	47.0	18.1	6.0

Source: IOIPG, UOB Kay Hian

Analysis

- **In line.** IOI Properties Group (IOIPG) reported 2QFY26 core PATAMI of RM201m (+24% qoq, +110% yoy) on revenue of RM1.0b (+7% qoq, +43% yoy). This brings 1HFY26 core PATAMI to RM363m (+113% yoy), accounting for 53% of our/consensus forecasts respectively, which we deem in line. We derive our 2QFY26 core PATAMI after excluding an exceptional gain of RM508m, mainly from the RM567m revaluation gain on investment properties.

Key Financials

Year to 30 Jun (RMm)	FY24	FY25	FY26F	FY27F	FY28F
Net turnover	2,939.7	3,062.2	4,156.5	5,170.8	4,855.3
EBITDA	2,334.2	1,847.1	1,541.1	2,211.6	1,933.3
Operating profit	2,224.2	1,724.5	1,418.6	2,046.3	1,732.2
Net profit (rep./act.)	2,061.8	1,064.0	689.2	1,136.9	944.5
Net profit (adj.)	698.1	386.9	689.2	1,136.9	944.5
EPS (sen)	12.7	7.0	12.5	20.6	17.2
PE (x)	27.2	49.1	27.6	16.7	20.1
P/B (x)	0.8	0.8	0.8	0.7	0.7
EV/EBITDA (x)	15.3	19.5	26.1	18.7	20.9
Dividend yield (%)	1.4	2.3	2.3	2.3	2.3
Net margin (%)	23.7	12.6	16.6	22.0	19.5
Net debt/(cash) to equity (%)	69.4	69.5	85.8	87.4	82.8
Interest cover (x)	117.4	4.1	2.8	3.7	3.2
ROE (%)	2.9	1.6	2.8	4.5	3.6
Consensus net profit			680.9	763.3	946.3
UOBKH/Consensus (x)			1.0	1.5	1.0

Source: IOIPG, Bloomberg, UOB Kay Hian

BUY(Maintained)

Share Price	RM3.45
Target Price	RM3.80
Upside	10.1%
Previous	RM3.50

Analyst(s)

Ng Jo Yee

joyee@uobkayhian.com

+603 2147 1984

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	IOIPG MK
Shares issued (m):	5,506.1
Market cap (RMm):	18,996.2
Market cap (US\$m):	4,879.0
3-mth avg daily t'over (US\$m):	6.2

Price Performance (%)

52-week high/low				RM3.72/RM1.63
1mth	3mth	6mth	1yr	YTD
9.2	42.0	54.0	73.4	30.7

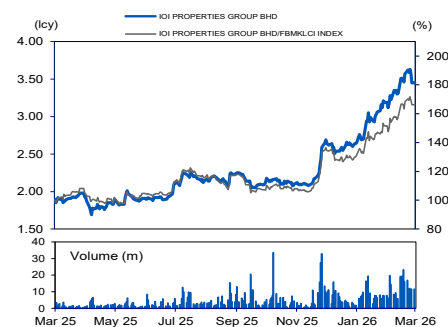
Major Shareholders

Vertical Capacity	65.7
Employees Provident Fund	5.5

Balance Sheet Metrics

FY26 NAV/Share (RM)	4.59
FY26 Net Debt/Share (RM)	3.92

Price Chart



Source: Bloomberg

Company Description

A property developer with a business portfolio encompassing leisure and hospitality, in addition to property development and property investment.

- **IOIPG launched RM1.2b of projects in 2QFY26** (+36% qoq), boosted by RM943m from 64 units at W Residences Marina View. Meanwhile, 2QFY26 sales rose to RM528m (+12% qoq; +46% yoy), bringing 1HFY26 sales to RM1b, accounting for 50% of its RM2b full-year target (excluding Marina View). In Singapore, construction of the 51-storey W Residences Marina View has reached 24th floor. Our base case expects a one-year extension of the Additional Buyer Stamp Duty remission deadline, currently due in Sep 26, which would alleviate near-term penalty risk.
- **We expect a faster industrial land monetisation after its data centre land sale in Banting.** The RM741m sales of 136 acres at IOI Industrial Park @ Banting to Bridge Data Centres (BDC) is expected to generate a gross profit margin of over 60% or gross profit of RM450m, with completion targeted by Jun 27 (ie end-FY27). Notably, we understand that the transaction progressed rapidly, from the initial approach in Dec 25 to deal closure by Jan 26, underscoring its strategic location and infrastructure readiness.
- **Property investment strengthened qoq driven by Singapore assets.** Property investment revenue and operating profit rose qoq to RM341m (+19% qoq) and RM195m (+30% qoq) respectively in 2QFY26, primarily supported by higher contributions from IOI Central Boulevard Towers (IOICB) and a full quarter contribution of South Beach Tower and South Beach Avenue. Both IOICB and South Beach Tower achieved committed occupancy rates of 96% and 100% respectively. During the quarter, the property investment segment recorded a fair value gain of RM567m, mainly due to a strong rental reversion at IOI City Mall Phase 2 in 2025, three years after its opening in Aug 22. There could be further upside to asset valuations ahead of the planned REIT listing, which is targeted for 4Q26.
- **Solid hospitality and leisure segment.** In 2QFY26, hospitality and leisure revenue rose to RM242m (+52% qoq) while operating profit surged to RM28m (+548% qoq). This is due to the improving performance of Xiamen Grand Sheraton, which recorded an occupancy rate of 62% and an average daily room rate of RM320. Operating profit was further supported by additional contributions from JW Marriott Singapore South Beach.
- **Securing sukuk loan refinancing to maintain Shariah status.** Net gearing ratio improved qoq to 0.9x as of end-Dec 25 (vs 0.97x as of end-Sep 25). While the group's conventional loan to total asset ratio currently stands at 38% following the stake-acquisition of South Beach Development in Sep 25, management expects this to decline to below 33% upon completion of the sukuk refinancing exercise, which is nearing completion ahead of the original loan maturity in Mar 26.

Valuation/Recommendation

- **Maintain BUY with a higher target price of RM3.80** as we narrow our discount to RNAV from 30% to 25% to factor a faster landbank monetisation, which implies 0.8x FY27F P/B (+1SD to 10-year mean: 0.5x) and 18.4x FY27F PE.

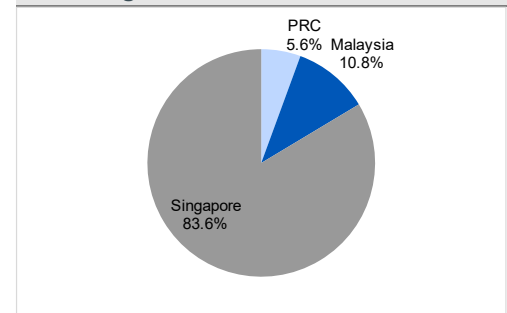
Earnings Revision/Risk

- We raised our FY27/28 earnings estimates by 42%/8% after factoring in an estimated net land sale gain of RM330m to BDC and faster industrial landbank monetisation.

Environmental, Social, Governance (ESG)

- **Environment:** Targets to reduce Scope 2 emissions intensity within the property investment operations by 15% by 2025 and 18% by 2028, using FY21 as the baseline.
- **Social:** Committed to promoting local procurement within its supply chain.
- **Governance:** Achieved 33% of women representation among the Board of Directors.

Borrowings Position Mix As Of End-Dec 25



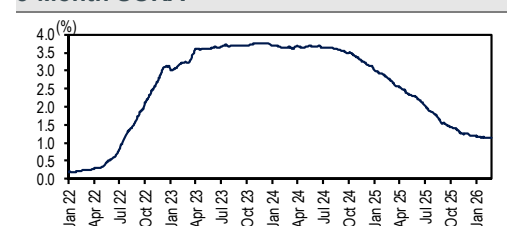
Source: IOIPG, UOB Kay Hian

One-year Forward P/B Band



Source: IOIPG, UOB Kay Hian

3-Month SORA



Source: IOIPG, UOB Kay Hian

RNAV Target Price Of RM3.80/Share

NPV of Development Profits (RMm)	
Malaysia	
Central Region	1,897
Southern Region	478
Singapore	
Marina View	763
JV projects	122
China	
IOI Palm	18
Total	3,278
Shareholders' Funds	24,429
RNAV	27,707
Existing Sharebase	5,506
RNAV/share (RM)	4.03
Discount	25%
Target Price (RM/share)	3.80

Source: IOIPG, UOB Kay Hian

Profit & Loss

Year to 30 Jun (RMm)	FY25	FY26F	FY27F	FY28F
Net turnover	3,062.2	4,156.5	5,170.8	4,855.3
EBITDA	1,847.1	1,541.1	2,211.6	1,933.3
Deprec. & amort.	122.5	122.5	165.4	201.1
EBIT	1,724.5	1,418.6	2,046.3	1,732.2
Associate contributions	109.1	114.6	114.6	114.6
Net interest income/(expense)	(379.2)	(467.7)	(489.1)	(485.4)
Pre-tax profit	1,454.4	1,065.5	1,671.7	1,361.4
Tax	(385.0)	(370.8)	(529.4)	(411.4)
Minorities	(5.4)	(5.4)	(5.4)	(5.4)
Net profit	1,064.0	689.2	1,136.9	944.5
Net profit (adj.)	386.9	689.2	1,136.9	944.5

Balance Sheet

Year to 30 Jun (RMm)	FY25	FY26F	FY27F	FY28F
Fixed assets	10,083.6	12,440.1	12,474.7	12,473.7
Other LT assets	26,032.4	28,526.1	28,740.7	28,955.3
Cash/ST investment	2,485.6	3,617.4	2,411.0	2,960.7
Other current assets	8,313.8	7,749.2	9,569.5	9,003.3
Total assets	46,915.3	52,332.8	53,195.9	53,392.9
ST debt	2,663.4	2,663.4	2,663.4	2,663.4
Other current liabilities	1,831.2	1,615.4	1,976.7	1,864.3
LT debt	16,926.3	22,305.4	22,105.4	21,905.4
Other LT liabilities	972.4	972.4	972.4	972.4
Shareholders' equity	24,428.8	24,677.5	25,374.0	25,878.0
Minority interest	93.3	98.7	104.1	109.5
Total liabilities & equity	46,915.3	52,332.8	53,195.9	53,392.9

Cash Flow

Year to 30 Jun (RMm)	FY25	FY26F	FY27F	FY28F
Operating Cashflows	1,060.1	1,051.4	(265.9)	1,490.3
Pre-tax Profit	1,454.4	1,065.5	1,671.7	1,361.4
Tax	(385.0)	(370.8)	(529.4)	(411.4)
Deprec. & amort.	122.5	122.5	165.4	201.1
Associates	109.1	114.6	114.6	114.6
Working Capital Changes	126.6	348.8	(1,459.0)	453.9
Others	(367.6)	(229.2)	(229.2)	(229.2)
Cash from Investing Activities	(833.3)	(2,479.1)	(200.0)	(200.0)
Capex (Growth)	(1,236.6)	(2,479.1)	(200.0)	(200.0)
Capex (maintenance)	0.0	0.0	0.0	0.0
Others	403.4	0.0	0.0	0.0
Cash from Financing Activities	85.7	2,559.5	(740.5)	(740.5)
Dividend Payments	(440.5)	(440.5)	(440.5)	(440.5)
Issue of Shares	0.0	0.0	0.0	0.0
Net drawdown/(repayment) of Borrowings	1,274.6	3,000.0	(300.0)	(300.0)
Others	(748.3)	0.0	0.0	0.0
Net Increase/(Decrease) in Cash	312.6	1,131.8	(1,206.4)	549.8
Beginning Cash	2,223.6	2,485.6	3,617.4	2,411.0
Changes Due to Forex Impact	(50.6)	0.0	0.0	0.0
End Cash	2,485.6	3,617.4	2,411.0	2,960.7

Key Metrics

Year to 30 Jun (%)	FY25	FY26F	FY27F	FY28F
Profitability				
EBITDA margin	60.3	37.1	42.8	39.8
Pre-tax margin	47.5	25.6	32.3	28.0
Net margin	12.6	16.6	22.0	19.5
ROA	1.0	1.6	2.6	2.2
ROE	1.8	3.1	5.1	4.2
Growth				
Turnover	4.2	35.7	24.4	(6.1)
Net profit (adj.)	(44.6)	78.2	65.0	(16.9)
Leverage				
Debt to total capital	44.5	50.3	49.4	48.7
Debt to equity	79.6	100.4	96.8	94.1
Net debt/(cash) to equity	69.5	85.8	87.4	82.8
Interest cover (x)	4.1	2.8	3.7	3.2

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at the following link:
<https://research-api.uobkayhian.com/assets/disclaimer/df64a6ea-7980-447c-ae9e-fd19b93257dc> or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."